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Japan Postpones SDI Decision

Officials of the Ministry of Foreign Affairs have confirmed that Japan will delay announcement of a decision regarding participation in the Strategic Defense Initiative (SDI), possibly until this fall. This development came after Western nations failed to reach a consensus on the program at Bonn, even though Prime Minister Yasuhiro Nakasone had reassured President Reagan of his "understanding" of the project's aims at the meeting.

Recent public opinion polls in Japan suggest considerable uneasiness about the SDI project. A survey in the Yomiuri Shimbun, for example, indicated that less than 20 percent of those polled supported Japanese participation. Department of Defense (DOD) representatives have briefed Japanese leaders on the program, presumably including anticipated roles for Japan, and had hoped for a response from Tokyo by early June. That goal, however, is not likely to be satisfied.

of Japan and Alaska remain interested in this potentially lucrative trade, and recent developments could breathe new life into the idea.

Governor Sheffield's proposal would avoid much of the legal red tape by only exporting oil that Alaska has received as royalties and that has not been transported through federally regulated facilities. At the moment, the governor is focusing on the 5,300 to 5,900 barrels of oil available daily from two Cook Inlet fields where convenient storage and wharf facilities already exist. Although this approach escapes direct conflict with the Trans-Alaska Pipeline Authorization Act, it still must satisfy the Energy Policy and Conservation Act's strictures that "crude oil may only be exported if the export will directly result in the equivalent or greater quantity and quality importation of crude oil or petroleum products, will have a beneficial effect on consumer prices, and cannot be reasonably processed in the United States."

According to the staff of the governor's office, preliminary discussions with the appropriate Commerce Department officials have already been initiated. Alaskan officials are particularly interested in obtaining a waiver of the most burdensome oil export regulations from the International Trade Administration's director of export administration. While the director has the titular authority to make the decision, the president's approval is the key element. Alaskan officials expect the Commerce Department to evaluate the legal and political barriers to the transaction, and stand ready with the necessary documentation for the application process.

The Commerce Department has stressed that congressional reaction is an important part of the decisionmaking process. To allow even small amounts of Cook Inlet oil to be shipped abroad would meet with strong opposition from the maritime industry, which would argue that it represents a departure from previous maritime legislation (the Jones Act) but, more importantly, that it would be a beachhead toward the goal of freeing all Alaskan oil for export. If a one-year waiver is approved, Governor Sheffield has said that exports of Cook Inlet oil could begin in six months. The governor anticipates the possibility of a renewal at the end of the first year.

Jon Choy

FY 1985 Car Export Quota Allocated

Deciding how many cars individual manufacturers can ship to the United States has been a yearly headache for the Ministry of International Trade and Industry (MITI) ever since Japan's export-restraint program went into effect in April 1981. For the first three years, MITI essentially divided the annual 1,680,000-unit shipment cap on the basis of each maker's 1979-80 share of U.S. retail sales. While no one method was likely to satisfy every company, all of Japan's smaller exporters complained that this formula penalized them as relative latecomers to the American market and bolstered the position of Toyota Motor Corp., Nissan Motor Co., Ltd. and Honda Motor Co., Ltd. -- the U.S. import sales leaders. Second-tier makers were the main beneficiaries when the ceiling on Japan's U.S.-bound car shipments was raised to 1,850,000 units for the April 1984-March 1985 period, but these adjustments did little to stop the talk about the discriminatory allocation system.

MITI's problems this year were not limited to juggling conflicting auto company demands for larger quota allocations. It also had to find a way to quell the outcry in Detroit and on Capitol Hill that greeted Tokyo's decision to boost the retraint level for the year starting April 1 to 2,300,000 cars (see JEI Report No. 13B, April 5, 1985). The solution: earmarking just over three-fifths of the extra 450,000 cars for sale by Japan's five smaller exporters, with the lion's share going to General Motors Corp.'s two affiliates -- Isuzu Motors, Ltd. and Suzuki Motor Co., Ltd. -- and to Mitsubishi Motors Corp., which is partly owned by Chrysler Corp. (see accompanying table).

While the trade ministry once again refused to confirm publicly how many cars each company can export to the United States, auto industry sources report that General Motors and Chrysler will get 312,000 Japanese-made cars during the April 1985-March 1986 period, up from 134,100 vehicles in FY 1984. Suzuki's allotment was raised from 17,000 to 53,000 units. All of these cars go to GM, which sells them in nine Western states as the Chevrolet Sprint. Isuzu, allowed to export 49,500 subcompacts to this country in the year through March 1985, including 29,500 cars carrying the Chevrolet Spectrum nameplate for sale in 16 Eastern states, will be able to ship 120,000 units in FY 1985 to GM and its own U.S. dealers. For its part, Mitsubishi Motors can ship 208,000 cars compared with 122,612 units in the April 1984-March 1985 period, when Chrysler received 87,600 cars for sale by Dodge and Plymouth dealers.

Unofficial Quota Allocations, FY 1981-FY 1985

(in units)

Exporter	FY 1981-FY 1983 Quota	FY 1984 Quota	Tentative FY 1985 Quota	Increase FY 1984-FY 1985
Toyota Motor Corp.	516,659	551,792	617,000	11.8%
Nissan Motor Co., Ltd.	456,030	487,040	545,000	11.9
Honda Motor Co., Ltd.	348,631	372,338	425,000	14.1
Mazda Motor Corp.	159,282	173,468	226,000	30.3
Mitsubishi Motors Corp. (incl. sales to Chrysler Corp.)	112,584	122,612	208,000	69.6
Fuji Heavy Industries, Ltd.	70,014	76,250	106,000	39.0
Isuzu Motors, Ltd. (incl. sales to General Motors Corp.)	16,800	49,500	120,000	142.4
Suzuki Motor Co., Ltd. (for sale to General Motors Corp.)	0	17,000	53,000	211.8
Total	1,680,000	1,850,000	2,300,000	24.3

Although GM and Chrysler were the winners of this year's quota-allocation sweepstakes, neither company got as many cars as it says it wanted. When the world's top automotive maker first unveiled its "Japan strategy" for the U.S. small car market, it planned to import 80,000 to 100,000 mini cars a year from Suzuki as well as up to 200,000 subcompacts annually from Isuzu. Chrysler also claims that its small car marketing plans received a setback. Right after President Reagan signaled Tokyo to allow its restraints on car

exports to lapse, the number-three U.S. auto maker, the most vocal proponent of restrictions, revealed that it had placed an order for up to 200,000 more Mitsubishi Motors-built vehicles.

As in previous years, the big mystery about MITI's FY 1985 company allotments is how the ministry divvied up the separate quota on exports of four-wheel-drive vehicles, station wagons and mini vans. This quota was presumably increased by the same 24.3-percent margin as the ceiling on sedans, which would bring it to about 112,900 units. It can only be assumed that Fuji Heavy Industries, Ltd., the manufacturer of Subaru vehicles, again received the bulk of the quota, with smaller shares assigned to Mitsubishi Motors, Toyota and perhaps one or two other exporters.

Susan MacKnight

Economists, Businessmen Cite High Dollar in Trade Hearings

International economists and business representatives concurred in recent hearings before the House Foreign Affairs Subcommittee on Asia and Pacific Affairs that the imbalance in the dollar-yen exchange rate is the principal cause of difficulties facing the United States in international markets. But despite agreement that both countries must take immediate steps to help rectify this imbalance, the witnesses were unable to agree on a specific course of action.

The hearings, held May 9 and 14, focused on macroeconomic problems affecting bilateral relations and access to Japanese markets. Attitudes toward Japanese policies varied among the witnesses, who included C. Fred Bergsten, director of the Institute for International Economics, and Lawrence Krause, senior economist of the Brookings Institution, as well as officials of Motorola Inc., Honeywell, Inc., the American Paper Institute, the National Forest Products Association and the Chocolate Manufacturers Association. Most participants urged restraint in dealing with Tokyo, although they also called for continued efforts by Washington to open Japan's markets to U.S. products. Mr. Krause emphasized, for example, that the United States should refrain from "bullying" policymakers in Tokyo and should be prepared to consult with its ally on a broader range of international issues. For his part, Mr. Bergsten urged adjustments in Japanese macroeconomic policies to strengthen the yen, but framed them as voluntary actions.

Motorola spokesman Richard Heimlich continued the company's lonely pursuit of an import surcharge at the May 14 hearing, a course rejected by other business and trade association representatives. They agreed that the overvalued dollar significantly impedes U.S. competitiveness overseas but nevertheless urged the administration to press harder for increased market access in Japan, utilizing existing authority to negotiate new agreements rather than waiting for congressional approval of a new bill. Witnesses also said that congressional resolutions expressing frustration gave Washington added leverage in the negotiating process.

There is a growing consensus that the strong dollar is the key macroeconomic factor affecting American competitiveness in international